

AUDITED FINANCIAL STATEMENTS

VILLAGE OF FRUITPORT, MICHIGAN

March 31, 2006

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Fruitport	County Muskegon
Audit Date 3/31/2006	Opinion Date 7-10-2006	Date Accountant Report Submitted to State: 7-26-2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

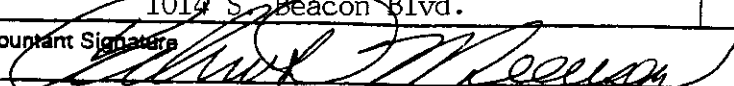
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1930).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Calvin D. Meeusen, C.P.A., PLLC			
Street Address 1014 S. Beacon Blvd.	City Grand Haven	State Mi	ZIP 49417
Accountant Signature 			

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Village of Fruitport, Michigan
Management's Discussion and Analysis
March 31, 2006

Using this Management's Discussion and Analysis

This annual report is intended to supplement the Village's financial statements for fiscal year ending March 31, 2006. The format of the financial statements has changed due to the implementation of GASB Statement 34 accounting. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's total net assets are \$1,077,161 as of March 31, 2006. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 51.8% of that total. The current level of unrestricted net assets for our governmental activities stands at \$558,497 or about 118% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Village. The net assets may be used as an indicator of a government's financial health. Since this is the first year the Village has prepared financial statements following GASB 34, comparisons to prior fiscal years are not available.

In examining the composition of these net assets, the reader should note that governmental activities net assets are heavily invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1
Village of Fruitport Net Assets

	<u>Governmental Activities</u>
<u>Assets</u>	
Current and other assets	\$ 579,517
Capital assets, net of accumulated depreciation	<u>518,664</u>
Total	1,098,181
<u>Liabilities</u>	
Current	21,020
Noncurrent	<u>-</u>
Total	21,020

Village of Fruitport, Michigan
Management's Discussion and Analysis
March 31, 2006

Table 1 - Village of Fruitport Net Assets-Continued

<u>Net Assets</u>	<u>Governmental Activities</u>
Capital Assets, Net of Debt	518,664
Unrestricted	<u>558,497</u>
Total net assets	<u>\$ 1,077,161</u>

The Village's net assets in the governmental activities continue to remain healthy. The Village has enough unrestricted cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over 12 months.

Governmental Activities

Governmental activities increased the Village's net assets by \$47,286. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

We have demolished an old building and built a small park on our main street. It is in the process of becoming a Veteran's Memorial Park. Also, we are in the process of upgrading a fishing pier and making drainage improvements on a residential street. New restrooms were just completed in collaboration with the Local Lions Club. The Village and Fruitport Township are investigating low interest funding sources for sewer expansion in the area.

Table 2
Village of Fruitport Changes in Net Assets

<u>Revenues</u>	<u>Governmental Activities</u>
Program	
Charges for Services	\$ 61,396
General	
Property taxes	196,271
State revenue sharing	200,935
Investment earnings	10,050
Miscellaneous	<u>52,164</u>
Total	<u>520,816</u>

Village of Fruitport, Michigan
Management's Discussion and Analysis
March 31, 2006

Village of Fruitport Changes in Net Assets-Continued

	<u>Governmental Activities</u>
<u>Expenses</u>	
Legislative	12,768
General government	57,661
Public safety	1,899
Public works	335,924
Recreation and culture	53,398
Other	<u>11,880</u>
Total	<u>473,530</u>
 Increase in Net Assets	 47,286
Net Assets at April 1, 2005	<u>1,029,875</u>
Net Assets at March 31, 2006	<u>\$1,077,161</u>

The Village's Funds

An analysis of the Village's major funds begins on page 5, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Village's major funds for 2005 include the General Fund, Major Streets and Local Streets.

The General Fund pays the Village's general operating expenditures.

The sewer expansion project with Fruitport Township would be funded with a combination of State low interest loans and grants if qualifications are met. Other projects would be financed from budgeted tax revenues.

General Fund Budgetary Highlights

The Village Council did pass budget amendments to take into account events during the year ended March 31, 2006. Village expenditures overall stayed below budget, resulting in total expenditures of \$254,381 below budget. The General Fund's fund balance increased from \$320,248 a year ago to \$365,157 at March 31, 2006.

Village of Fruitport, Michigan
Management's Discussion and Analysis
March 31, 2006

Capital Asset and Debt Administration

At March 31, 2006 the Village had \$518,664 (net of accumulated depreciation of \$266,190) invested in a broad range of capital assets including land, land improvements, buildings and machinery and equipment.

Economic Factors and Next Year's Budgets and Rates

The Village's budget for the next fiscal year projects property taxes to increase at the approximate rate of inflation from the current year. State revenue sharing allocations are a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state grants may decrease. The amount of revenue sharing is uncertain at this time but is expected to approximate last year's amount. Salaries are a large expenditure of the funds and represented approximately 22% of last year's expenditures.

The Village just reduced millage to 5.5 for 2006 - 2007. We hope to keep a similar rate for 2007 - 2008; with only inflationary SEV changes. If a sewer project is done jointly with Fruitport Township, it would involve State loans and grants, with 2008 construction contemplated, if criteria are met.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 865-3577.

CALVIN D. MEEUSEN, C.P.A., PLLC

CALVIN D. MEEUSEN

CERTIFIED PUBLIC ACCOUNTANT

1014 S. BEACON BLVD. • GRAND HAVEN, MI 49417
(616) 846-6210 FAX (616) 846-5111

348 WAVERLY RD., SUITE 126 • HOLLAND, MI 49424
(616) 395-8477

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Village Council
Village of Fruitport, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Fruitport, Michigan, as of and for the year ended March 31, 2006, which, collectively, comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the Village of Fruitport, as of March 31, 2006, and the respective changes in financial position where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Village of Fruitport, has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. for the year ended March 31, 2006.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fruitport, basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Calvin D. Meeusen C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC

Grand Haven, Michigan

July 10, 2006

Village of Fruitport, Michigan
STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 490,849
Cash-restricted	14,625
Receivables	
Taxes	27,688
Accounts	13,693
Due from state	32,662
Capital assets, net	<u>518,664</u>
Total assets	<u>1,098,181</u>
LIABILITIES	
Accounts payable	11,743
Accrued liabilities	<u>9,277</u>
Total liabilities	<u>21,020</u>
NET ASSETS	
Invested in capital assets	
net of related debt	518,664
Unrestricted	<u>558,497</u>
Total Net Assets	<u>\$1,077,161</u>

The Notes to Financial Statements are an integral part of this statement.

Village of Fruitport, Michigan

STATEMENT OF ACTIVITIES

Year ended March 31, 2006

	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Program Revenue</u>	<u>Primary Government</u>
	<u>Charges for</u>	<u>Governmental</u>
	<u>Expenses</u>	<u>activities</u>
Primary Government		
Governmental activities		
Legislative	\$ 12,768 \$ -	\$ (12,768)
General government	57,661 2,237	(55,424)
Public safety	1,899 6,832	4,933
Public works	335,924 52,327	(283,597)
Recreation and cultural	53,398 -	(53,398)
Other governmental functions	<u>11,880</u> <u>-</u>	<u>(11,880)</u>
Total primary Government	\$ <u>473,530</u> \$ <u>61,396</u>	\$ <u>(412,134)</u>
General revenues		
Property taxes		196,271
State shared revenues		200,935
Investment earnings		10,050
Other		<u>52,164</u>
Total general revenue and special items		<u>459,420</u>
Change in net assets		47,286
Net assets at April 1, 2005		<u>1,029,875</u>
Net assets at March 31, 2006		<u>\$1,077,161</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2006

	General Fund	Major Street
ASSETS		
Cash	\$ 310,654	\$ 81,923
Cash-restricted	14,625	-
Receivables		
Taxes	27,688	-
Accounts	13,693	-
Due from other funds	2,013	-
Due from state	<u>14,132</u>	<u>13,251</u>
Total Assets	<u>\$ 382,805</u>	<u>\$ 95,174</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	11,743	-
Due to other funds	-	965
Accrued liabilities	<u>5,905</u>	<u>2,101</u>
Total Liabilities	<u>17,648</u>	<u>3,066</u>
Fund Equity:		
Fund balance		
Undesignated	<u>365,157</u>	<u>92,108</u>
Total Fund Equity	<u>365,157</u>	<u>92,108</u>
Total Liabilities and Fund Equity	<u>\$ 382,805</u>	<u>\$ 95,174</u>

The accompanying notes are an integral part of this statement.

Local <u>Street</u>	Total Governmental <u>Funds</u>
\$ 98,272	\$ 490,849
-	14,625
-	27,688
-	13,693
-	2,013
<u>5,279</u>	<u>32,662</u>
<u>103,551</u>	<u>581,530</u>
-	11,743
1,048	2,013
<u>1,271</u>	<u>9,277</u>
<u>2,319</u>	<u>23,033</u>
<u>101,232</u>	<u>558,497</u>
<u>101,232</u>	<u>558,497</u>
\$ <u>103,551</u>	\$ <u>581,530</u>

Village of Fruitport, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Total fund balance-governmental funds \$ 558,497

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds.

Cost of capital assets	\$ 784,854	
Accumulated depreciation	<u>(266,190)</u>	<u>518,664</u>

Net assets of governmental activities in the Statement of Net Assets	<u>\$1,077,161</u>
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Village of Fruitport, Michigan

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS
Year ended March 31, 2006

	General Fund	Major Street	Local Street	Total Governmental Funds
Revenues:				
Taxes	\$196,271	\$ -	\$ -	\$196,271
Licenses and permits	6,832	-	-	6,832
State shared revenues	94,973	73,185	32,777	200,935
Charges for services	54,564	-	-	54,564
Interest	7,162	1,607	1,281	10,050
Equipment rental	21,130	-	-	21,130
Other revenue	26,031	3,127	1,876	31,034
TOTAL REVENUES	406,963	77,919	35,934	520,816
Expenditures				
Current:				
Legislative	12,768	-	-	12,768
General government	41,785	-	-	41,785
Public safety	1,899	-	-	1,899
Public works	174,387	111,092	27,671	313,150
Other	11,880	-	-	11,880
Capital outlay	45,417	-	-	45,417
Recreation & cultural	43,918	-	-	43,918
TOTAL EXPENDITURES	332,054	111,092	27,671	470,817
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	74,909	(33,173)	8,263	49,999
Other financing sources (uses)				
Operating transfers in	-	10,000	20,000	30,000
Operating transfers out	(30,000)	-	-	(30,000)
Total other financing sources (uses)	(30,000)	10,000	20,000	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	44,909	(23,173)	28,263	49,999
Fund balance - April 1	320,248	115,281	72,969	508,498
Fund balance - March 31	\$365,157	\$ 92,108	\$101,232	\$558,497

The accompanying notes are an integral part of this statement.

Village of Fruitport, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

Net change in fund balances-total governmental funds: \$ 49,999

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures
in the Statement of Activities; these costs are depreciated over their
estimated useful lives.

Depreciation expense	\$ (34,567)	
Capital outlay	<u>45,417</u>	10,850

In the Statement of Activities, the loss on disposal of assets is
reported, whereas in the governmental funds, any proceeds from
sale increase financial resources. The change in net assets differs
from the change in fund balance by the cost of assets disposed of
(\$31,000), net of related accumulated depreciation of \$17,437.

(13,563)

Change in net assets of governmental activities \$ 47,286

The accompanying notes are an integral part of this statement.

Village of Fruitport, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Fruitport (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's policies are described below.

Effective April 1, 2004, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The Village is audited on a bi-annual basis, as approved by the Michigan Department of Treasury. The following reconciliation applies to the current year under audit.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2005	
governmental funds	\$ 508,498
Capital assets, net	<u>521,377</u>
Restated net assets at April 1, 2005	<u>\$1,029,875</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. Reporting Entity

The Village of Fruitport (Muskegon County) is a home rule village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, parks and recreation, planning and zoning and general administrative services.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Cont.

collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on streets classified as local streets.

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

The Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Village of Fruitport, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied on July 1 and are payable through September 14. The Village bills and collects its own property taxes and does not collect taxes for any other unit of government. Collections of these taxes are accounted for in the General Fund. Village property tax revenues are recognized in the period for which they are levied.

The Village is permitted by law to levy taxes up to 12.00 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and 5.0 mills for the payment of principal and interest on long-term debt subject to a vote of the Village residents. The tax rate to finance general government services for the year ended March 31, 2006 was 7.5000 mills.

c. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$4,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Infrastructure	20-40
Land improvements	15-30
Equipment	5-10

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

d. Compensated Absences

Village employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation or sick leave pay does not accumulate past March 31 of each fiscal year. The pro rata portion of unused sick leave or vacation time is paid to employees at the time of termination or retirement. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

e. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

f. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 15, the Village Council submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Village Council is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

1. Budgetary Information-Continued

e. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.

f. Appropriations for the General Fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Village Council as of March 31, 2006.

2. Risk Management

The Village of Fruitport is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to full-time employees. The Village has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Workers' Compensation Fund for workers' compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents.). Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These pools are to provide for joint and cooperative action common to each participating municipal corporation for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

NOTE C - DEPOSITS

The deposits are in several financial institutions and are carried at cost; the deposits are composed of checking accounts, money market and savings accounts.

At March 31, 2006, the Village's carrying amount of deposits was \$490,849 and the bank balance was \$506,096. Of the bank balance \$425,648 was covered by federal depository insurance, the remainder being uninsured.

Village of Fruitport, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE D-CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2006</u>
Capital assets, not being depreciated:				
Land	\$ <u>55,429</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>55,429</u>
Total capital assets, not being depreciated	<u>55,429</u>	<u>-</u>	<u>-</u>	<u>55,429</u>
Capital assets, being depreciated:				
Buildings	281,063	20,733	31,000	270,796
Land improvements	127,524	24,684	-	152,208
Equipment	<u>306,421</u>	<u>-</u>	<u>-</u>	<u>306,421</u>
Total capital assets, being depreciated	715,008	45,417	31,000	729,425
Less accumulated depreciation for:				
Buildings	39,858	6,316	17,437	28,737
Land improvements	38,687	9,022	-	47,709
Equipment	<u>170,515</u>	<u>19,229</u>	<u>-</u>	<u>189,744</u>
Total accumulated depreciation	<u>249,060</u>	<u>34,567</u>	<u>17,437</u>	<u>266,190</u>
Total capital assets, being depreciated, net	<u>465,948</u>	<u>10,850</u>	<u>(13,563)</u>	<u>463,235</u>
Capital Assets, net	\$ <u>521,377</u>	\$ <u>10,850</u>	\$ <u>(13,563)</u>	\$ <u>518,664</u>

Government activities:

Depreciation

Depreciation expense was charged to functions as follows:

General government	\$ 2,313
Recreation and cultural	9,480
Public works	<u>22,774</u>
	\$ <u>34,567</u>

Village of Fruitport, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2006, as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 2,013	Major Street Fund	\$ 965
		Local Street Fund	1,048
	<u>\$ 2,013</u>		<u>\$ 2,013</u>

NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been reported on a functional basis. This is the same basis for which budgets have been legally adopted and amended.

During the year ended March 31, 2006, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Building and grounds	\$ 6,000	\$ 7,198	\$ 1,198
Major street fund			
Professional services	43,000	63,801	20,801

NOTE G - BUILDING INSPECTION DEPARTMENT

The Village of Fruitport is responsible for complying with the State Construction Code Act. This Act was amended by Public Act 245 of 1999 which became effective on January 1, 2000. Section 22 of Public Act 245 requires that the legislative body of a governmental subdivision shall establish reasonable fees to be charged by the governmental subdivision for acts and services performed by the enforcing agency under this act, which fees shall be intended to bear a reasonable relation to the cost, including overhead, to the governmental subdivision of the acts and services, including, without limitation, those services and acts as, in case of an enforcing agency, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, and the issuance of certificates of use and

Village of Fruitport, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE G - BUILDING INSPECTION DEPARTMENT-CONTINUED

occupancy, and, in case of a board of appeals, hearing appeals in accordance with this act. The legislative body of a governmental subdivision shall only use fees generated under this section for the operation of the enforcing agency and shall not use the fees for any other purpose.

The Village of Fruitport meets the Michigan Department of Treasury criteria to account for these activities in the General Fund (ie. not establishing a separate Special Revenue Fund) namely, that the fee structure is not intended to recover the full cost of the enforcing agency and the Village has the ability to track the full costs and revenues of the enforcing agency without creating a separate fund. The following is a schedule of the revenues and expenditures associated with the building inspection department:

Village of Fruitport, Michigan
Building Inspection Department
April 1, 2005-March 31, 2006

Revenue	\$ 913
Expenses	
Contracted and professional services	327
Supplies and other	660
Administration	<u>91</u>
TOTAL EXPENSES	<u>1,078</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	\$ <u>(165)</u>

NOTE H - INTERFUND OPERATING TRANSFERS

Details of interfund operating transfers at March 31, 2006 are as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Major Street Fund	\$ 10,000	General Fund	\$ 30,000
Local Street Fund	20,000		

SUPPLEMENTAL INFORMATION

Village of Fruitport, Michigan
Budgetary Comparison Schedule
GENERAL FUND

Year ended March 31, 2006

	Budgeted Amounts		Actual	Variance with final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 197,329	\$ 197,329	\$ 196,271	\$ (1,058)
Licenses and permits	6,500	6,500	6,832	332
State shared revenue	95,000	95,000	94,973	(27)
Charges for services	50,816	50,816	54,564	3,748
Interest	2,000	2,000	7,162	5,162
Equipment rentals	55,000	55,000	21,130	(33,870)
Other revenue	<u>18,421</u>	<u>18,421</u>	<u>26,031</u>	<u>7,610</u>
Total Revenues	425,066	425,066	406,963	(18,103)
EXPENDITURES				
Legislative				
Village council	<u>26,368</u>	<u>26,368</u>	<u>12,768</u>	<u>13,600</u>
Total legislative	26,368	26,368	12,768	13,600
General government				
President	3,476	3,476	2,329	1,147
Election	-	1,600	1,508	92
Professional fees	23,500	22,400	15,021	7,379
Clerk	9,635	9,635	7,604	2,031
Treasurer	8,934	8,934	8,125	809
Building and grounds	<u>6,000</u>	<u>6,000</u>	<u>7,198</u>	<u>(1,198)</u>
Total general government	51,545	52,045	41,785	10,260
Public safety				
Law enforcement	1,600	1,600	913	687
Protective inspections	<u>2,950</u>	<u>2,950</u>	<u>986</u>	<u>1,964</u>
Total public safety	4,550	4,550	1,899	2,651
Public works				
Department of public works	79,914	82,314	82,051	263
Waste collection	49,416	49,416	49,105	311
Street lighting	36,000	36,000	30,281	5,719
Maintenance	<u>12,000</u>	<u>18,000</u>	<u>12,950</u>	<u>5,050</u>
Total public works	177,330	185,730	174,387	11,343

The accompanying notes are an integral part of this statement.

Village of Fruitport, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Recreational and cultural				
Recreation - parks	45,759	45,759	32,352	13,407
Library	<u>15,000</u>	<u>15,000</u>	<u>11,566</u>	<u>3,434</u>
Total recreational and cultural	\$ 60,759	\$ 60,759	\$ 43,918	\$ 16,841
Other				
Insurance and bonds	<u>16,225</u>	<u>15,725</u>	<u>11,880</u>	<u>3,845</u>
Total other	16,225	15,725	11,880	3,845
Capital Outlay				
General	<u>135,000</u>	<u>151,600</u>	<u>45,417</u>	<u>106,183</u>
Operating transfers out	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$501,777</u>	<u>\$526,777</u>	<u>\$362,054</u>	<u>\$164,723</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport, Michigan
Budgetary Comparison Schedule
MAJOR STREET FUND

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 70,000	\$ 70,000	\$ 73,185	\$ 3,185
Interest earnings	500	500	1,607	1,107
Other revenue	<u>-</u>	<u>-</u>	<u>3,127</u>	<u>3,127</u>
TOTAL REVENUES	70,500	70,500	77,919	7,419
Expenditures				
Construction, roads, streets and bridges				
Project cost	-	-	-	-
Maintenance				
Salaries and wages	45,000	45,000	23,693	21,307
Other fringe benefits	4,009	4,009	1,946	2,063
Operating supplies	17,000	17,000	6,499	10,501
Rentals	28,000	28,000	12,719	15,281
Professional services	43,000	43,000	63,801	(20,801)
Traffic services				
Repairs and maintenance	<u>4,000</u>	<u>4,000</u>	<u>2,434</u>	<u>1,566</u>
TOTAL EXPENDITURES	<u>141,009</u>	<u>141,009</u>	<u>111,092</u>	<u>29,917</u>
TOTAL EXPENDITURES OVER (UNDER) EXPENDITURES	(70,509)	(70,509)	(33,173)	37,336
Other financing sources				
Operating transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(60,509)	(60,509)	(23,173)	37,336
Fund balance - April 1	<u>115,281</u>	<u>115,281</u>	<u>115,281</u>	<u>-</u>
Fund balance - March 31	<u>\$ 54,772</u>	<u>\$ 54,772</u>	<u>\$ 92,108</u>	<u>\$ 37,336</u>

The accompanying notes are an integral part of this statement.

Village of Fruitport, Michigan
Budgetary Comparison Schedule
LOCAL STREET FUND

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 25,000	\$ 25,000	\$ 32,777	\$ 7,777
Interest earnings	500	500	1,281	781
Other revenue	<u>-</u>	<u>-</u>	<u>1,876</u>	<u>1,876</u>
TOTAL REVENUES	25,500	25,500	35,934	10,434
Expenditures				
Construction				
Street improvements	-	-	-	-
Maintenance				
Salaries and wages	25,000	25,000	11,857	13,143
Other fringe benefits	1,912	1,912	970	942
Operating supplies	7,500	7,500	2,444	5,056
Rentals	27,000	27,000	8,410	18,590
Professional services	<u>26,000</u>	<u>26,000</u>	<u>3,990</u>	<u>22,010</u>
TOTAL EXPENDITURES	<u>87,412</u>	<u>87,412</u>	<u>27,671</u>	<u>59,741</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,912)	(61,912)	8,263	70,175
Other financing sources				
Operating transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(41,912)	(41,912)	28,263	70,175
Fund balance - April 1	<u>72,969</u>	<u>72,969</u>	<u>72,969</u>	<u>-</u>
Fund balance - March 31	\$ <u>31,057</u>	\$ <u>31,057</u>	\$ <u>101,232</u>	\$ <u>70,175</u>

The accompanying notes are an integral part of this statement.

CALVIN D. MEEUSEN, C.P.A., PLLC

CALVIN D. MEEUSEN

CERTIFIED PUBLIC ACCOUNTANT

1014 S. BEACON BLVD. • GRAND HAVEN, MI 49417
(616) 846-6210 FAX (616) 846-5111

348 WAVERLY RD., SUITE 126 • HOLLAND, MI 49424
(616) 395-8477

July 10, 2006

Members of the Village Council
Village of Fruitport, Michigan

In connection with my examination of the financial statements of the Village of Fruitport as of March 31, 2006, I have reviewed the accounting policies and procedures employed by the Village and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Village of Fruitport for the year ended March 31, 2006 and have issued my report thereon dated July 10, 2006. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Village of Fruitport to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Village of Fruitport is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village taken as a whole.

However, my study and evaluation disclosed that the internal accounting controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Village of Fruitport may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level audit risk associated with this situation.

I wish to commend the management of the Village of Fruitport for their efforts and cooperation in facilitating the implementation of the GASB 34 accounting pronouncement. This took effect on April 1, 2004 and the results are reflected in the accompanying financial statements and supplemental information for the year ended March 31, 2006.

In conclusion, I wish to state that all of the comments and recommendations are intended to be only of a constructive nature. I am sure they will help you to improve your accounting system and financial operation. I will be available to meet with you at any time in order to discuss the above comments and recommendations.

Respectfully submitted,

A handwritten signature in black ink, reading "Calvin D. Meeusen C.P.A. PLLC". The signature is written in a cursive style with a large, stylized initial "C".

Calvin D. Meeusen, C.P.A., PLLC